

Message Text

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42

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 COME-00 TAR-01 TRSE-00

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NSAE-00 PA-01 USIA-06 PRS-01 AGR-05 CIEP-01 SIL-01

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R 251030Z MAR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2237

INFO AMEMBASSY MADRID

AMEMBASSY RABAT

AMCONSUL OPORTO

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DEPT PASS TO USDOC (SEC)

EO 11652: N/A

TAGS: ETRD, PO

SUBJ: PROPOSAL TO REDUCE U.S. TARIFFS ON CORK PRODUCTS

SUMMARY: EMBASSY RECOMMENDS SERIOUS STUDY AND CONSIDERATION OF PROPOSAL TO REDUCE OR ELIMINATE TARIFFS ON CERTAIN PROCESSED ARTICLES OF CORK. MEASURE COULD PRODUCE POLITICAL BENEFITS TO USG IN PORTUGAL AND WOULD ASSIST AILING PORTUGUESE CORK INDUSTRY. IMPACT ON U.S. INDUSTRY APPEARS TO BE MINIMAL. END SUMMARY.

1. THE MANAGING DIRECTOR OF DODGE CORTICEIRA LDA., JOINTLY OWNED BY U.S., U.K. AND PORTUGUESE INTERESTS, HAS PROPOSED THAT USG REDUCE OR ELIMINATE TARIFFS ON CERTAIN PROCESSED CORK ARTICLES. TARIFF ITEMS INVOLVED ARE 220.20 (COMPOSITION CORK), 220.31 (PROCESSED INSULATION ARTICLES), 220.35, 220.38, 220.40 AND 220.45 (DISKS, WAFERS, WASHERS, STOPPERS, ETC.) AND 22.50 (CORK ARTICLES, NES.).

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2. ACCORDING TO GOP DATA, TOTAL PORTUGUESE CORK EXPORTS IN

1974 WERE ABOUT \$144 MILLION--UP FROM \$110 MILLION IN 1973. ITEMS IN PARA 1 ACCOUNT FOR ABOUT 75 PERCENT OF TOTAL 1974 EXPORTS. 1974 EXPORTS TO U.S. WERE ABOUT \$19 MILLION--DOWN FROM \$22 MILLION. PARA 1 ITEMS COMPRISE \$13 MILLION (1974) AND \$17 MILLION (1973). ACCORDING 1973 U.S. DATA, PORTUGAL SUPPLIED 80 PERCENT OF U.S. IMPORTS AND SPAIN ANOTHER 15 PERCENT.

3. ACCORDING TO DODGE CORTICEIRA, OF THOSE PARA 1 ITEMS, ONLY COMPOSITION CORK IS MANUFACTURED IN SIGNIFICANT QUANTITY IN U.S. REPORTEDLY, TWO LEADING U.S. MANUFACTURERS/IMPORTERS OF COMPOSITION CORK FEEL THAT DUTY REDUCTION WOULD NOT SERIOUSLY AFFECT THEM, AND, IN FACT, COULD HELP THEM IF REDUCTIONS ARE ON SEMI-MANUFACTURED ARTICLES BECAUSE THIS WOULD LOWER THEIR INPUT COSTS. OTHER PARA 1 ITEMS NOT MANUFACTURED IN ANY SIGNIFICANT VOLUME IN U.S. AND THUS U.S. EMPLOYMENT ONLY MINIMALLY AFFECTED. MOST IMPORTANT SINGLE ARTICLE--BOTTLE STOPPERS--NOT MANUFACTURED AT ALL IN U.S. EMBASSY HAS NO INFORMATION ON EFFECT OF DUTY REDUCTION ON COMPETING U.S. INDUSTRIES SUCH AS PLASTIC STOPPERS.

4. MORE THAN 75 PERCENT OF 18,000 WORKERS IN PORTUGUESE CORK INDUSTRY ARE EMPLOYED IN FORMS PRODUCING PARA 1 ITEMS. PROCESSING INDUSTRY IS IN SEVERE SLUMP WITH MOST FIRMS REPORTING ORDERS SUBSTANTIALLY DOWN--SOME BY AS MUCH AS 80 PERCENT. THIS WILL EXACERBATE ALREADY SERIOUS PORTUGUESE UNEMPLOYMENT PROBLEM. DODGE CORTICEIRA ESTIMATES THAT DUTY REDUCTIONS COULD INCREASE PORTUGUESE EXPORTS TO U.S. BY AT LEAST 10 PERCENT, THUS SOMEWHAT ALLEVIATING CORK INDUSTRY PROBLEMS. IN ADDITION TO DIRECT EFFECT, U.S. DUTY REDUCTION MIGHT ENCOURAGE OTHER COUNTRIES, ESPECIALLY IN LATIN AMERICA, TO LOWER THEIR PROHIBITIVELY HIGH RATES. INDUSTRY WOULD BE ESPECIALLY HELPED IN GROWING AREAS IN ALENTEJO AND PROCESSING REGION IN LISBON SUBURBS WHERE COMMUNISTS HAVE MADE SIGNIFICANT INROADS.

5. POTENTIAL POLITICAL BENEFIT TO U.S. STEMS FROM FACT THAT COMMUNIST COUNTRIES PURCHASE ONLY RAW AND SLIGHTLY PROCESSED CORK FROM PORTUGAL (MORE THAN 85 PERCENT OF TOTAL IMPORTS OR \$9.5 MILLION). ON THESE GOODS THE PORTUGUESE VALUE ADDED IS ONLY 10-15 PERCENT. ACCORDING TO DODGE, VALUE ADDED IN PORTUGAL LIMITED OFFICIAL USE

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ON 220.20 ITEMS IS 35-50 PERCENT AND ON OTHER ITEMS IS 75-100 PERCENT. BECAUSE CORK IS SUCH A VISIBLE INDUSTRY IN PORTUGAL, ANY U.S. MEASURE BENEFITING HIGH VALUE-ADDED ITEMS COULD BE PUBLICIZED TO OUR ADVANTAGE.

6. FURTHER INFORMATION ON PROPOSAL IS AVAILABLE FROM R.A. ANDERSON, DODGE CORK COMPANY, INC., LANCASTER, PA., 17604, OR MANTON CORK CORPORATION, MERRICK, N.Y. 11566. EMBASSY

CAN PROVIDE FURTHER DATA, IF NECESSARY, ON PORTUGUESE INDUSTRY.

7. EMBASSY RECOMMENDS THAT PROPOSAL BE GIVEN SERIOUS STUDY.
IT MAY BE ABLE PROVIDE RELIEF TO KEY SECTOR OF PORTUGUESE
ECONOMY, WHICH COULD HELP OFFSET GENERALLY NEGATIVE PUBLICITY
ABOUT U.S. IN ADDITION, IT COULD PUT EASTERN BLOC ON
DEFENSIVE, AT LEAST ON THIS ISSUE. IF DODGE CORTICEIRA
INFORMATION CORRECT IT COULD BE DONE AT LITTLE OR NO COST TO
U.S. ECONOMY.

8. WOULD APPRECIATE PRELIMINARY VIEWS ON THIS PROPOSAL ASAP.
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